



ARIZONA STATE SENATE
Fifty-Second Legislature, Second Regular Session

FACT SHEET FOR H.B. 2676

tax credit; title I schools

Purpose

Establishes a tax credit for donations to Title I schools and establishes the Arizona Title I School Matching Grant Fund.

Background

According to the United States Department of Education, Title I, Part A (Title I) of the Elementary and Secondary Education Act (ESEA) provides financial assistance to local educational agencies (LEAs) and schools with high numbers or high percentages of children from low-income families to help ensure that all children meet challenging state academic standards. Federal funds are currently allocated through four statutory formulas that are based primarily on census poverty estimates and the cost of education in each state.

Once a state's EFIG allocation is determined, funds are allocated (using a weighted count formula that is similar to Targeted Grants) to LEAs in which the number of children from low-income families is at least 10 and at least 5 percent of the LEA's school-age population. LEAs target the Title I funds they receive to schools with the highest percentages of children from low-income families. Unless a participating school is operating a schoolwide program, the school must focus Title I services on children who are failing, or most at risk of failing, to meet state academic standards. Schools in which children from low-income families make up at least 40 percent of enrollment are eligible to use Title I funds for schoolwide programs that serve all children in the school. LEAs also must use Title I funds to provide academic enrichment services to eligible children enrolled in private schools.

According to a Joint Legislative Budget Committee (JLBC) fiscal note, the legislation would have a net estimated fiscal impact of \$2 million in FY 2017 and \$4 million in FY 2018 and annually thereafter. This assumes that the bill would reduce state individual income tax collections by \$(1) million in FY 2017 and by \$(3) million annually starting in FY 2018. It also assumes that ADE would allocate \$1 million in matching monies from the state General Fund under the bill each year starting in FY 2017. (So for FY 2017, for example, the bill would result in an estimated state revenue loss of \$1 million and an increase in state costs of \$1 million for a total net state fiscal impact of \$2 million.)

The Arizona Department of Revenue (DOR) has not yet provided a fiscal impact estimate for the bill.

Provisions

Credit for Donations to Title I Schools

1. Establishes, beginning January 1, 2016, a credit for voluntary donations to one or more Title I schools in this state.
2. Caps the credit at \$200 in any taxable year, however, a married couple filing jointly can count the donations made by each spouse.
3. Allows credits not used to be carried forward for no more than five consecutive years.
4. Stipulates that schools that receive donations can only use the monies for classroom purposes.
5. Adds the credit to the income tax credit review schedule.

Arizona Title I School Matching Grant Fund

6. Establishes the Arizona Title I School Matching Grant Fund (Fund) consisting of legislative appropriations, gifts, grants and donations to be administered by the Department of Education (Department).
7. Stipulates that monies in the Fund are continuously appropriated and are exempt from lapsing.
8. Specifies that qualifying Title I schools that receive donations as a result of the Title I tax credit is eligible to apply to the Department to receive grants of matching monies from the Fund.
9. Requires the Department to award the grants each fiscal year in an amount of \$400 for each dollar the qualifying school received in donations the preceding fiscal year.
10. Prohibits the Department from matching donations that exceed \$250,000 for any fiscal year and requires the Department to distribute grants as follows:
 - a) if, on July 1 of the fiscal year, applications for matching money grants exceed the dollar limit, the grants for that fiscal year must be distributed proportionately and only among qualifying schools that applied as of the date; and
 - b) if applications for matching money grants do not exceed the dollar limit on July 1 of the fiscal year, the grants for that fiscal year must be awarded on a first-come, first-served basis.
11. Requires a school that receives a matching grant to use the monies only for classroom purposes.
12. Requires the Department to prescribe permissible uses of the money that:
 - a) include consumable or reusable education-related supplies; and

- b) are otherwise consistent with the Auditor General's determination of monies spent in the classroom.

Miscellaneous

13. Contains a purpose statement.

14. Defines terms.

House Action

FIN	2/17/16	DP	8-1-0-0
3 rd Read	2/25/16		36-24-0-0

Prepared by Senate Research

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BR/lr